

CITY OF MITCHELLVILLE, IOWA
Independent Auditors' Report
Basic Financial Statements and
Supplemental Information and Findings

June 30, 2011

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City of Mitchellville, Iowa
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Wieslander	Mayor	December, 2011
Peggy Olson	Mayor Pro Tem	December, 2011
Deb Thomas	Council Member	December, 2011
James Scott	Council Member	December, 2011
Chad Snyder	Council Member	December, 2013
Steve Zook	Council Member	December, 2013
Kristen May	City Clerk/ Administrator	Indefinite
Ruth Norton	Deputy City Clerk	Indefinite
Bill Mallory	City Attorney	Indefinite
Timothy Brandt	Director Public Works	Indefinite
Dwayne Heckman	Fire Chief	Indefinite

POLLARD AND COMPANY P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Mitchellville

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Mitchellville, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Mitchellville's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Mitchellville as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also included our report on our consideration of the City of Mitchellville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison information are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mitchellville's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2010 (none of which is presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

April 9, 2012

Pollard and Company P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Mitchellville provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follows.

FY 2011 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased \$140,143 in FY 2011 due to bond proceeds for the new Ambulance having been received in FY 2010..
- The general government disbursements decreased \$289,617 from FY 2010 to FY 2011 due to Capital Projects completed in FY 2010.
- The City's total cash basis net assets for FY 2011 were \$942,151. Of this amount, the assets of the governmental activities were \$278,130 and the assets of the business type activities were \$664,021.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's finances.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds. In addition, the schedule of expenditures of federal awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

The City maintains its financial records based on cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information, which helps, answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the business at year-end that are available for spending. The major governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Employee Benefits and 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government, operations and basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The required financial statements for governmental funds include a statement of cash receipts, disbursements, and changes in cash balances.

2) Proprietary funds account for City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer fund. The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	June 30, 2011	June 30, 2010
Program receipts:		
Charges for service	\$102,982	\$93,650
Operating grants, contributions and restricted interest	\$283,315	\$259,532
General receipts:		
Property tax		
for general purpose	\$460,356	\$457,900
for debt service	\$147,569	\$133,637
Bond Proceeds	\$0	\$185,000
Unrestricted investment earnings	\$2,927	\$4,300
Miscellaneous	\$24,357	\$27,630
Transfers	\$61,700	\$76,151
Total receipts and transfers	\$1,083,206	\$1,237,800
Disbursements:		
Public safety	\$327,179	\$271,759
Public works	\$254,744	\$304,644
Health & Social Services	\$1,250	\$0
Culture and recreation	\$135,443	\$141,008
Community and economic development	\$5,960	\$6,152
General government	\$53,633	\$96,077
Debt service	\$272,475	\$269,577
Capital Project	\$0	\$251,084
Total disbursements	\$1,050,684	\$1,340,301
Increase(decrease) in cash basis net assets	\$32,522	(\$102,501)
Cash basis net assets beginning of year	\$245,608	\$348,109
Cash basis net assets end of year	\$278,130	\$245,608

The City's total receipts for governmental activities were \$1,083,206 and the total disbursements of all programs and services were \$1,050,684. The cash-basis net assets end of year 2011 was \$278,130, which was an increase of \$32,522 from the previous year.

Changes in Cash Basis Net Asset of Business Type Activities

	June 30, 2011	June 30, 2010
Program receipts:		
Charges for service		
Water	\$379,136	\$433,307
Sewer	\$273,169	\$292,746
Capital grants, contributions and restricted interest	\$0	\$816
Total receipts	\$652,305	\$726,869
 Disbursements and transfers:		
Water	\$377,174	\$332,174
Sewer	\$273,118	\$286,602
Transfers	\$61,700	\$74,208
Total disbursements and transfer	\$711,992	\$692,984
 Increase (decrease) in cash balance	(\$59,687)	\$33,885
Cash basis net assets beginning of year	\$723,708	\$689,823
Cash basis net assets end of year	\$664,021	\$723,708

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Mitchellville completed the year, its governmental funds reported a combined fund balance of \$278,130. An increase of \$32,522 from last year's total of \$245,608. This is due to increase in Road Use Tax and Other non-major Governmental Fund balances.

- The General Fund cash balance had an increase in revenues, and an increase in spending. The increase in spending was Public Safety and Debt Service.
- The Road Use Tax Fund cash balance had an increase of \$63,217 from \$43,474 for an end of year balance \$106,691. This is due to trying to increase reserves and street projects were completed after year-end. The Road Use Tax Fund money is used to help maintain or upgrade the condition of all City roads.
- The Library Renovation Fund has a zero balance compared to a deficit of \$10,849 in FY10. The Library Foundation paid the balance owed by them, and the city transferred money from the general fund to eliminate the remaining deficit.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$59,738 due primarily to decrease in revenues.
- The Sewer Fund cash balance only increased by \$51, due to decrease in revenues as well.

BUDGETARY HIGHLIGHTS

- The City had budget amendment in FY10 of \$143,515 which included increases in Public Safety, \$43,900; Public Works, \$65,000; Culture & Recreational \$29,615; and Community & Economic Development \$5,000.

DEBT ADMINISTRATION

At June 30, 2011, the City had \$5,294,696 in long-term debt.

Outstanding Debt at Year -End

	June 30, 2011	June 30, 2010
General Obligation Notes	\$1,613,000	\$1,873,160
Development Agreement	\$700,000	
Revenue Loan Notes	\$2,700,000	\$2,845,000
Urban Service Area Agreement	\$281,696	
Total	\$5,294,696	\$4,718,160

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and similar debt of \$2,313,000 is below its constitutional debt limit of \$3,709,275.

The City of Mitchellville has elected and appointed officials, and department heads who have considered many factors when setting the fiscal year 2011 budget, tax rates, and fees that will be charged for various City activities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES.

The City Administrator was hired June 2010. During the fiscal year, transfers were made to clear the negative fund balances. Currently at the end of FY11, two funds are still negative, the Employee Benefits and the Ambulance Fund (which is part of the General Fund). The City Administrator is working on Employee Benefits, which is tied to the Certification of Taxes and the Budget, and will take a few years to obtain a positive balance. The City Administrator is not responsible for the Fire Department but has made the Mayor and City Council aware of the issues with the Ambulance Fund. The City of Mitchellville is currently working on Capital Improvement Plan to be fiscally responsible in planning out different funds and debt service.

The Deer Run Development is located off Sixth Street NE. There were a few additional houses build in this fiscal year, the City is hoping more homes will be added to this development in the next year. The City is currently working on several projects with several different builders which we hope will have more homes built in 2012 and 2013.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kristen M. May, City Clerk, 204 Center Avenue N, PO Box 817, Mitchellville, Iowa 50169.

City of Mitchellville, Iowa
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2011

Functions/Programs	Program Receipts			
	Disbursements	Charges for Services	Operating Grants, Contributions, and Restricted Interest	Governmental Activities
Governmental Activities				
Public safety	\$ 327,179	\$ 2,412	\$ 46,870	\$ (277,897)
Public works	254,744	78,822	224,576	48,654
Health and Social Services	1,250			(1,250)
Culture and recreation	135,443	4,716	11,869	(118,858)
Community and economic development	5,960			(5,960)
General government	53,633	17,032		(36,601)
Debt service	272,475			(272,475)
Total governmental activities	<u>1,050,684</u>	<u>102,982</u>	<u>283,315</u>	<u>(664,387)</u>
Business type activities				
Water	377,174	379,136		
Sewer	<u>273,118</u>	<u>273,169</u>		
Total business type activities	<u>650,292</u>	<u>652,305</u>		
Total	<u>\$ 1,700,976</u>	<u>\$ 755,287</u>	<u>\$ 283,315</u>	<u>\$ (664,387)</u>
General Receipts				
Property and Other City Taxes levied for				
General purposes				460,356
Debt service				147,569
Unrestricted interest on investments				2,927
Miscellaneous				24,357
Transfers				<u>61,700</u>
Total general receipts and transfers				<u>696,909</u>
Change in cash basis net assets				32,522
Cash basis net assets beginning of year				<u>245,608</u>
Cash basis net assets end of year				<u>\$ 278,130</u>
Restricted:				
Nonexpendable- Cemetery perpetual care				\$ 36,823
Expendable :				
Debt service				4,707
Streets				106,691
Other purposes				6,320
Unrestricted				<u>123,589</u>
Total cash basis net assets				<u>\$ 278,130</u>

There were no reconciling items between the Governmental and Proprietary Statements and the above Statement.

See notes to financial statements.

Business Type Activities	Total
	\$ (277,897)
	48,654
	(1,250)
	(118,858)
	(5,960)
	(36,601)
	(272,475)
	(664,387)
1,962	1,962
51	51
2,013	2,013
\$ 2,013	\$ (662,374)

	460,356
	147,569
	2,927
	24,357
(61,700)	
(61,700)	635,209
(59,687)	(27,165)
723,708	969,316
\$ 664,021	\$ 942,151

\$	\$	36,823
38,333		43,040
		106,691
		6,320
625,688		749,277
\$ 664,021	\$	942,151

City of Mitchellville, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2011

	Special Revenue				Other Nonmajor Governmental Funds	Total
	General	Road Use Tax	Employee Benefits	Debt Service		
Receipts:						
Property Taxes	\$ 366,049	\$	\$ 73,212	\$ 144,270	\$ 11,109	\$ 594,640
Other City Taxes	8,313		1,673	3,299		13,285
Licenses and Permits	17,371					17,371
Use of Money and Property	2,883				44	2,927
Special Assessments					888	888
Intergovernmental	70,973	208,221			4,121	283,315
Charges for Services	85,611					85,611
Miscellaneous	15,811				7,658	23,469
Total Receipts	567,011	208,221	74,885	147,569	23,820	1,021,506
Disbursements:						
Operating						
Public Safety	269,574		57,605			327,179
Public Works	104,678	134,950	13,916		1,200	254,744
Health and Social Services	1,250					1,250
Culture and Recreation	103,994		31,449			135,443
Community and Economic Development	5,960					5,960
General Government	53,633					53,633
Debt Service				272,475		272,475
Total Disbursements	539,089	134,950	102,970	272,475	1,200	1,050,684
Excess (deficiency) of receipts over (under) disbursements	27,922	73,271	(28,085)	(124,906)	22,620	(29,178)
Other financing sources (uses)						
Operating transfers in	22,095			125,459	31,300	178,854
Operating transfers out	(95,059)	(10,054)			(12,041)	(117,154)
Total other financing sources (uses)	(72,964)	(10,054)		125,459	19,259	61,700
Net Change in cash balances	(45,042)	63,217	(28,085)	553	41,879	32,522
Cash balances beginning of year	200,707	43,474	(31,092)	4,154	28,365	245,608
Cash balances end of year	\$ 155,665	\$ 106,691	\$ (59,177)	\$ 4,707	\$ 70,244	\$ 278,130
Cash Basis Fund Balances						
Nonspendable- Cemetery perpetual care	\$	\$	\$	\$	36,823	\$ 36,823
Restricted for:						
Debt service				4,707		4,707
Streets		106,691				106,691
Other purposes					6,320	6,320
Assigned for fire station purposes					27,101	27,101
Unassigned	155,665		(59,177)			96,488
Total cash basis fund balances	\$ 155,665	\$ 106,691	\$ (59,177)	\$ 4,707	\$ 70,244	\$ 278,130

See notes to financial statements.

City of Mitchellville, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2011

	Water	Sewer	Total
Operating receipts			
Charges for service	\$ 379,136	\$ 273,169	\$ 652,305
Total operating receipts			
Operating disbursements			
Business-type activities	223,009	189,820	412,829
Total operating disbursements	223,009	189,820	412,829
Excess of operating receipts over operating disbursements	156,127	83,349	239,476
Non-operating (disbursements)			
Debt service	(154,165)	(83,298)	(237,463)
Total non-operating (disbursements)	(154,165)	(83,298)	(237,463)
Excess of receipts over disbursements	1,962	51	2,013
Operating transfers out	(61,700)		(61,700)
Net change in cash balances	(59,738)	51	(59,687)
Cash balances - beginning of year	191,250	532,458	723,708
Cash balances - end of year	\$ 131,512	\$ 532,509	\$ 664,021
Cash basis fund balances			
Restricted for debt service	\$ 24,945	\$ 13,388	\$ 38,333
Unrestricted	106,567	519,121	625,688
Total cash basis fund balances	\$ 131,512	\$ 532,509	\$ 664,021

See notes to financial statements

City of Mitchellville, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Fiduciary Funds
As of and for the year ended June 30, 2011

	Blake Trust	Library Memorial	Thomas Mitchell Historical Society
	<u> </u>	<u> </u>	<u> </u>
Receipts			
Use of money and property	\$ 906	\$ 54	
Miscellaneous	200	10,144	1,034
Total receipts	<u>1,106</u>	<u>10,198</u>	<u>1,034</u>
Disbursements		<u>8,662</u>	<u>612</u>
Net change in cash balances	1,106	1,536	422
Cash balance - beginning of year	61,786	13,503	2,489
Cash balance - end of year	<u><u>\$ 62,892</u></u>	<u><u>\$ 15,039</u></u>	<u><u>\$ 2,911</u></u>

City of Mitchellville, Iowa
Notes To Financial Statements
June 30, 2011

1/ Summary of Significant Accounting Policies

The City of Mitchellville is a political subdivision of the State of Iowa located in Polk County. It was first incorporated in 1856 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements, and general administrative services.

A. Reporting Entity

For financial reporting purposes, the City of Mitchellville has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing board and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units that meet the criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the City's citizenry, but do not meet the criteria for a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: The Safety Coalition of Central Iowa Cities, HAZ-MAT Services, Urban Design Standards and Construction Specification Agreement, and City of Colfax Mutual Fire and Police Assistance Agreement.

As of July, 2010, in conjunction with 23 other governmental agencies, the City became a member, under a 28E agreement, of the Central Regional Iowa Drinking Water Commission, which shall provide planning activities for water supply, treatment, distribution and storage facilities when the activities impact two or more members. The Commission board consists of a representative of each of the participating members. Membership fees of \$ 760 were paid during the year ended June 30, 2011.

In addition, the City, in conjunction with seventeen other cities, created the Metro Waste Authority. The Authority board consists of an elected representative of the governing body of each participating governmental jurisdiction. The purpose of this joint public body is to provide for the economic disposal of all solid waste produced or generated by the jurisdictions and private contractors. During the year ended June 30, 2011, the City paid the Metro Waste Authority \$ 15,833 for the Curb It Program.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

B. Basis of Presentation (continued)

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in three categories:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Employee Benefits Fund is used to account for the tax levy and the disbursement for the benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Mitchellville maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operation of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost- reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost- reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less restrictive classifications- committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a propriety funds' principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

2/ Cash and Pooled Investments

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$753,222 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

Interest Rate Risk – the City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but maturities shall be consistent with the needs and use of the City.

Credit Risk- the City's investment in the Iowa Public Agency Investment Trust is unrated.

3/ Bonds and Notes Payable

Urban Service Area Agreement

In October 2005, Polk County and the City entered into an agreement under Chapter 28 of the Code of Iowa to provide water and sewer extensions to customers outside the city limits. In prior years, the service fees were divided 50% to the City and 50% to a Joint Water and Sewer Trust Fund maintained by the County to be applied to construction costs within the Urban Service area. On October 29, 2009, the agreement was amended as follows: beginning in the year ending June 30, 2011 and continuing until January, 2026, the city will make annual payments to Polk County to repay 75% of the construction costs. The total to be paid is \$281,696. The remainder will be paid by revenues generated from connection fees and development agreements.

Annual debt service requirements for general obligation notes, and revenue bonds and notes are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Bonds/ Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	163,000	55,340	149,000	81,000	312,000	136,340
2013	149,000	49,275	154,000	76,530	303,000	125,805
2014	156,000	44,110	159,000	71,910	315,000	116,020
2015	162,000	38,660	163,000	67,140	325,000	105,800
2016	163,000	32,945	168,000	62,250	331,000	95,195
2017-2021	539,000	87,710	921,000	232,350	1,460,000	320,060
2022-2027	281,000	25,830	986,000	85,800	1,267,000	111,630
2028-2032	-	-	-	-	-	-
Total	\$ 1,613,000	\$ 333,870	\$ 2,700,000	\$ 676,980	\$ 4,313,000	\$ 1,010,850

Revenue Bonds and Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$2,230,000 in water revenue bonds issued in September 2005. Proceeds from the bonds provided financing for the water system construction and improvement. The bonds are payable solely from water customer net receipts and are payable through 2026. Annual principal and interest payments on the bonds are expected to require less than 96 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$2,247,970. For the current year, principal and interest paid and customer net receipts were \$149,460 and \$156,127, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,200,000 in sewer revenue capital notes issued in May 2004. Proceeds from the notes provided financing for the sewer treatment plant construction and improvement. The notes are payable solely from sewer customer net receipts and are payable through 2025. Annual principal and interest payments on the notes are expected to require less than 97 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$ 1,129,010. For the current year, principal and interest paid and customer net receipts were \$80,890 and \$83,349, respectively.

The resolutions providing for the issuance of the revenue bonds/notes include the following provisions.

- The bonds/notes will only be redeemed from the future earnings of each enterprise activity and the bond/note holders hold a lien on the future earnings of the funds.
- Sufficient monthly transfers shall be made to separate water and sewer revenue bond/note sinking accounts for the purpose of making the bond/note principal and interest payments when due.
- User rates shall be established and charged to customers of the activity at least sufficient to pay the expenses of operation and maintenance and to have a balance of net revenues equal to at least 110% of the principal and interest on the bonds/notes falling due in the same year. During the year, the City did not meet this test for both water and sewer operations due principally to a significant decrease in usage volume.

In January 2012, the City increased the water rates as required by the above resolution.

4/ Urban Renewal Area Tax Increment Financing

In 1994, the City established an Urban Renewal Area. In accordance with Chapter 403.19 of the Code of Iowa, the City may enter into an agreement with the county, school and other taxing jurisdictions, to use the increase in taxes, as a result of the incremental property tax valuation increase, in the Urban Renewal Area. The taxes so collected are paid into the City's Special Revenue Fund and are expended on project costs and obligations.

In 2006, The City and Eastern Polk Development, LLC entered into a development agreement in which the City will pay the tax increment taxes to the entity, beginning on the date that the taxes become available and continuing for a total of ten fiscal years. The total payments shall not exceed \$700,000. The City has certified the agreement to the county auditor and the first year of collection will be June 30, 2012. The obligation is not a general obligation of the City, however, the debt is subject to the constitutional debt limitation of the City.

5/ Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$30,739, \$28,908 and \$31,667, respectively, equal to the required contributions for each year.

6/ Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for these earned termination payments payable to employees at June 30, 2011, primarily relating to the General Fund, is \$19,000. This liability has been computed based on rates of pay as of June 30, 2011.

7/ Risk Management

- a) The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current member's basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses

and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2011 were \$27,614.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the members' risk-sharing certificate or in the event a series of casualty claims exhausts total member's equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions; however, the refund is reduced by an amount equal to the annual casualty operating contribution, which the withdrawing member would have made for the one-year period following withdrawal.

- b) The City is a member of the Iowa Municipalities Workers' Compensation Association (IMWCA) which provides workers' compensation coverage to its members. The Association is governed by a board of directors elected by representatives of the governing bodies of each participating governmental jurisdictions. As of April 1, 2011, the City has executed a Worker's Compensation coverage agreement with the Association which extends through June 30, 2012 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the period ended June 30, 2011, the City paid worker's compensation insurance premiums of \$3,876 to the Association.

8/ Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

	Transfer To				Total
	General	Fire Truck	Debt Service	Library Remodel	
Transfer from					
Water	\$	\$	\$ 61,700	\$	\$ 61,700
General		26,888	63,759	4,412	95,059
Emergency Levy	11,109				11,109
Road Use Tax	10,054				10,054
Special Assessment	932				932
	<u>\$ 22,095</u>	<u>\$ 26,888</u>	<u>\$ 125,459</u>	<u>\$ 4,412</u>	<u>\$ 178,854</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

9/ Deficit Fund Balances

The Employee Benefits Fund had a deficit balance of \$59,177. The deficit was a result of expenditures being greater than property tax revenues. Subsequent receipts from property taxes will eliminate the deficit.

10/ Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that effect the reported amounts and disclosure of liabilities, contingent liabilities, and commitments at the date of the financial statements, and the classification of receipts and disbursements during the reporting period. Actual results could differ from the estimates that were used.

11/ Other Postemployment Benefits (OPEB)

Plan Description- The City participates in a single-employer benefit plan which provides medical/prescription drug and dental benefits for active employees, retirees and their spouses. There are 9 active and no retired members in the plan. Participants must be age 55 or older at retirement. The benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the full premium for the benefits while the City contributes to the premium of active employees.

Funding Policy- The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and the plan members are \$704 for single coverage, and \$1,760 for family coverage. The City pays the full cost of the single coverage and 30% of the difference between single coverage and any family coverage for those employees electing such coverage. The contribution requirements of plan members are established and may be amended by the City. For the year ended June 30, 2011, the City contributed \$115,698 and plan members eligible for benefits contributed \$14,523 to the plan.

12/

Contingency

In July 2011, the U. S. Environmental Protection Agency (EPA) issued an Administrative Compliance Order based on an inspection of the Mitchellville Waste Water Treatment Facility. Subsequently, the City hired an engineering firm to address the EPA's remedial requirements and identify causes of the violations at the Facility. Among other issues, the engineers will consider inflow and infiltration in the collection system. A preliminary report was submitted to the EPA in February, 2012. To date, the City has not received a reply and the potential future costs of complying with the Order has not been determined.

City of Mitchellville, Iowa
 Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2011

	Governmental Funds Actual	Enterprise Funds Actual	Net
Receipts			
Property Taxes	\$ 594,640	\$	\$ 594,640
Other City Taxes	13,285		13,285
Licenses and Permits	17,371		17,371
Use of Money and Property	2,927		2,927
Special Assessments	888		888
Intergovernmental	283,315		283,315
Charges for Service	85,611	652,305	737,916
Miscellaneous	23,469		23,469
Total Receipts	<u>1,021,506</u>	<u>652,305</u>	<u>1,673,811</u>
Disbursements			
Public Safety	327,179		327,179
Public Works	254,744		254,744
Health and Social Services	1,250		1,250
Culture and recreation	135,443		135,443
Community and Economic Development	5,960		5,960
General Government	53,633		53,633
Debt Service	272,475	237,463	509,938
Business Type Activities		412,829	412,829
Total Disbursements	<u>1,050,684</u>	<u>650,292</u>	<u>1,700,976</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(29,178)</u>	<u>2,013</u>	<u>(27,165)</u>
Other financing sources, net	<u>61,700</u>	<u>(61,700)</u>	
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>32,522</u>	<u>(59,687)</u>	<u>(27,165)</u>
Balance - beginning of year	245,608	723,708	969,316
Balance - end of year	<u>\$ 278,130</u>	<u>\$ 664,021</u>	<u>\$ 942,151</u>

See accompanying independent auditors' report.

<u>Budgeted Amounts</u>		
Original	Final	Final to Net Variance
\$ 595,274	\$ 595,274	\$ (634)
13,545	13,545	\$ (260)
6,175	6,175	11,196
9,860	9,860	(6,933)
900	900	(12)
247,190	278,740	4,575
778,925	778,925	(41,009)
7,611	17,226	6,243
<u>1,659,480</u>	<u>1,700,645</u>	<u>(26,834)</u>
329,763	373,663	46,484
227,884	292,884	38,140
1,400	1,400	150
137,468	167,083	31,640
6,350	11,350	5,390
96,104	96,104	42,471
188,875	188,875	(321,063)
768,675	768,675	355,846
<u>1,756,519</u>	<u>1,900,034</u>	<u>199,058</u>
<u>(97,039)</u>	<u>(199,389)</u>	<u>(172,224)</u>
(97,039)	(199,389)	(172,224)
750,849	750,849	(218,467)
<u>\$ 653,810</u>	<u>\$ 551,460</u>	<u>\$ (390,691)</u>

City of Mitchellville, Iowa
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$143,515. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the debt service function by \$321,063. This was primarily due to classifying enterprise funds debt service as business type function in the published budget rather than debt service. If the proper function had been used, disbursements would not have been exceeded.

City of Mitchellville, Iowa
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2011

	Capital Project		Special	Revenue		
	Library Renovations	Emergency Levy	Special Assessment	FEMA	Park Fund	Fire Truck Replacement
Receipts						
Property tax	\$	\$ 11,109	\$	\$	\$	\$
Use of money and property			44			
Special Assessments			888			
Intergovernmental				4,121		
Miscellaneous	6,437					
Total Receipts	6,437	11,109	932	4,121		
Disbursements						
Operating						
Public Works				1,200		
Total Disbursements						
Excess of receipts over disbursements	6,437	11,109	932	2,921		
Other financing sources (uses)						
Operating transfers in	4,412					26,888
Operating transfers out		(11,109)	(932)			
Total other financing sources (uses)	4,412	(11,109)	(932)			26,888
Net change in cash balances	10,849			2,921		26,888
Cash balance - beginning of year	(10,849)				3,399	213
Cash balance - end of year	\$	\$	\$	\$ 2,921	\$ 3,399	\$ 27,101
Cash basis fund balances						
Nonspendable - Cemetery perpetual care	\$	\$	\$	\$	\$	\$
Restricted for other purposes				2,921	3,399	
Assigned						27,101
Total cash basis fund balances	\$	\$	\$	\$ 2,921	\$ 3,399	\$ 27,101

See accompanying independent auditors' report.

Schedule 1

<u>Permanent</u>	
<u>Cemetery</u>	
<u>Perpetual</u>	
<u>Care</u>	<u>Total</u>
\$	\$ 11,109
	44
	888
	4,121
1,221	7,658
<u>1,221</u>	<u>23,820</u>
	<u>1,200</u>
<u>1,221</u>	<u>22,620</u>
	31,300
	<u>(12,041)</u>
	<u>19,259</u>
1,221	31,030
35,602	28,365
<u>\$ 36,823</u>	<u>\$ 70,244</u>
\$ 36,823	\$ 36,823
	6,320
	27,101
<u>\$ 36,823</u>	<u>\$ 70,244</u>

City of Mitchellville, Iowa
Schedule of Indebtedness
For the year ended June 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Notes			
Storm Sewer Improvement	March, 1997	5.00%	375,000
Water Treatment Plant	June, 2006	3.00%	1,050,000
Library Renovations	August, 2006	4.25%	255,000
Street Reconstruction	August, 2006	0.00%	266,806
City Hall/Center Avenue Improvements	June, 2008	2.70% - 3.90%	810,000
Capital Loan Notes Series 2009A	July, 2009	4.00%	185,000
Totals			
TIF Financed Development Agreement	June, 2006	See note 4 to Financials	
Revenue Bonds/Notes			
Sewer Revenue Capital Notes	May, 2004	3.00%	\$ 1,200,000
Water Revenue Bonds	September, 2005	3.00%	2,230,000
Totals			
Urban Service Area Agreement	October, 2009	See note 3 to Financials	

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
60,000		30,000	30,000	3,000
760,000		37,000	723,000	22,800
180,000		30,000	150,000	7,650
53,160		53,160		
650,000		95,000	555,000	22,425
170,000		15,000	155,000	6,800
<u>\$ 1,873,160</u>	<u>\$</u>	<u>\$ 260,160</u>	<u>\$ 1,613,000</u>	<u>\$ 62,675</u>
<u>\$700,000</u>			<u>\$700,000</u>	
<u>\$ 963,000</u>	<u>\$</u>	<u>\$ 52,000</u>	<u>\$ 911,000</u>	<u>\$ 28,890</u>
<u>1,882,000</u>		<u>93,000</u>	<u>1,789,000</u>	<u>56,460</u>
<u>\$ 2,845,000</u>	<u>\$</u>	<u>\$ 145,000</u>	<u>\$ 2,700,000</u>	<u>\$ 85,350</u>
	<u>\$ 281,696</u>		<u>\$ 281,696</u>	

City of Mitchellville, Iowa
Bond and Note Maturities
June 30, 2011

General Obligation Bonds and Notes

Year Ending June 30,	Storm Sewer Improvement		Water Capital Notes		Capital Loan Notes Series 2009A		Library Renovations		City Hall/Center Avenue		Total
	Issued March 1, 1997		Issued June 1, 2006		Issued July 22, 2009		Issued August 21, 2006		Issued June 17, 2008		
	Rate %	Amount	Rates %	Amount	Rate %	Amount	Rate %	Amount	Rates %	Amount	
2012	5.00	30,000	3.00	38,000	4.00	15,000	4.25	30,000	3.10	50,000	163,000
2013			3.00	39,000	4.00	20,000	4.25	30,000	3.20	60,000	149,000
2014			3.00	41,000	4.00	20,000	4.25	30,000	3.30	65,000	156,000
2015			3.00	42,000	4.00	20,000	4.25	30,000	3.40	70,000	162,000
2016			3.00	43,000	4.00	20,000	4.25	30,000	3.50	70,000	163,000
2017			3.00	45,000	4.00	20,000			3.70	75,000	140,000
2018			3.00	46,000	4.00	20,000			3.80	80,000	146,000
2019			3.00	48,000	4.00	20,000			3.90	85,000	153,000
2020			3.00	49,000							49,000
2021			3.00	51,000							51,000
2022			3.00	53,000							53,000
2023			3.00	54,000							54,000
2024				56,000							56,000
2025				58,000							58,000
2026			3.00	60,000							60,000
Totals		\$ 30,000		\$ 723,000		\$ 155,000		\$ 150,000		\$ 555,000	\$ 1,613,000

Sewer Revenue Capital Notes			Water Revenue Bonds			Urban Service Area	
Issued May 17, 2004			Issued September 21, 2005			Issued October 29, 2009	
Rate %	Amount		Rate %	Amount	Total	Rate %	Amount
2012	3.00	53,000	3.00	96,000	149,000	0.00	25,227
2013	3.00	55,000	3.00	99,000	154,000	0.00	13,514
2014	3.00	57,000	3.00	102,000	159,000	0.00	14,115
2015	3.00	58,000	3.00	105,000	163,000	0.00	14,715
2016	3.00	60,000	3.00	108,000	168,000	0.00	15,316
2017	3.00	62,000	3.00	112,000	174,000	0.00	15,917
2018	3.00	64,000	3.00	115,000	179,000	0.00	16,818
2019	3.00	66,000	3.00	118,000	184,000	0.00	17,418
2020	3.00	67,000	3.00	122,000	189,000	0.00	18,319
2021	3.00	69,000	3.00	126,000	195,000	0.00	19,220
2022	3.00	72,000	3.00	129,000	201,000	0.00	20,121
2023	3.00	74,000	3.00	133,000	207,000	0.00	21,022
2024		76,000	3.00	137,000	213,000	0.00	21,923
2025		78,000	3.00	141,000	219,000	0.00	23,425
2026			3.00	146,000	146,000	0.00	24,626
Totals		<u>\$ 911,000</u>		<u>\$ 1,789,000</u>	<u>\$ 2,700,000</u>		<u>\$ 281,696</u>

See accompanying independent auditors' report

City of Mitchellville, Iowa
Schedule of Receipts by Source and Disbursements by Function
All Government Funds
For the Last Seven Years

	2011	2010	2009	2008	2007
Receipts					
Property taxes	\$ 607,925	\$ 591,537	\$ 534,729	\$ 503,636	\$ 484,798
Licenses and permits	17,371	6,365	8,592	11,926	12,664
Use of money and property	2,927	4,300	12,799	26,476	32,527
Special Assessments	888	948	400		
Intergovernmental	283,315	259,532	296,142	253,493	303,544
Charges for service	85,611	93,650	93,874	127,224	126,160
Miscellaneous	23,469	20,317	76,533	106,943	681,272
Total	\$ 1,021,506	\$ 976,649	\$ 1,023,069	\$ 1,029,698	\$ 1,640,965
Disbursements					
Operating					
Public safety	\$ 327,179	\$ 271,759	\$ 326,809	\$ 389,989	\$ 413,684
Public works	254,744	304,644	281,503	442,743	513,887
Culture and recreation	136,693	141,008	150,021	123,509	110,388
Community and economic development	5,960	6,152	11,004	24,787	16,638
General government	53,633	96,077	99,344	111,070	78,508
Debt service	272,475	269,577	274,753	199,658	154,753
Capital projects		251,084	896,560	237,685	745,256
Total	\$ 1,050,684	\$ 1,340,301	\$ 2,039,994	\$ 1,529,441	\$ 2,033,114

See accompanying independent auditors' report.

2006	2005
\$499,829	\$492,370
14,828	8,525
16,155	7,166
214,152	185,486
113,830	113,646
62,197	35,337
<u>\$920,991</u>	<u>\$842,530</u>

\$304,815	\$268,519
274,089	224,577
120,699	120,433
5,863	5,857
92,410	90,115
71,208	73,702
43,254	
<u>\$912,338</u>	<u>\$783,203</u>

POLLARD AND COMPANY P.C.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund and the aggregate remaining fund information of the City of Mitchellville, Iowa as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon as dated below. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Mitchellville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting that we considered to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mitchellville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Mitchellville's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusion on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a matter of public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Mitchellville and other parties to whom the City of Mitchellville may report. This report is not intended to be and should not be used by anyone other than these specified parties.

April 9, 2012

Pollard and Company P.C.

CITY OF MITCHELLVILLE, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

PART I Findings Related to the Financial Statements

I-A-11 Segregation of Duties

One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The posting of the cash receipts and disbursements to the general ledger, reconciliations and securities control and custody are all done by the same person.

Recommendation

We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response

The City will attempt to segregate duties to the extent possible to provide additional control through review of financial transactions and reports and segregation of duties.

Conclusion- Response accepted.

I-B-11 Check Signing

The City has not complied with its ordinance regarding the signing of checks. Chapter 7.07 requires two signatures on all checks following Council approval. One signer is the Deputy Clerk and the other is the Mayor or Mayor Pro Tem.

Recommendation

The ordinance should be considered by the City Council and if the provisions cannot be applied in practice then amendment should be made. Finding I-A-11 should also be considered since segregation of duties is also an issue in this matter.

Response

The staff and the new Mayor reviewed the City's check writing procedure and the City Council amended the ordinance in February, 2012.

Conclusion- Response accepted

PART II Other Findings Related to Statutory Reporting

II-A-11 Certified Budget

Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in debt service function.

Recommendation

The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before functional disbursements were allowed to exceed the budget.

Response

The published budget included the enterprise funds debt service as a business type function rather than debt service. If it had been classified to match the financial statements, the debt service budget function would not have been exceeded. The budget and financials will be properly coordinated in the future as applicable.

Conclusion- Response accepted.

II-B-11 Questionable Disbursements

We noted no disbursements for parties, banquets or other entertainment expenses that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-11 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-11 Business Transactions

There were no business transactions between the City and City officials or employees during the year.

II-E-11 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions.

II-F-11 Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not. Although minutes of Council proceedings were published, they were not always published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. Also, they did not contain a summary of receipts as required by the same chapter of the Code.

Recommendation

The City should comply with the Code of Iowa and publish the minutes and summary of the receipts as required.

Response

We will publish the minutes and information as required.

Conclusion - Response accepted.

II-G-11 Deposits and Investments

Deposits and investments were in compliance with Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-H-11 Financial Condition

The Employee Benefits Fund had a deficit balance at June 30, 2011.

Recommendation

The City should investigate alternatives to eliminate the deficit in order to return the fund to a sound financial position.

Response

Note 8 of the financial statements indicate the City's plans to eliminate the deficit.

Conclusion

Response accepted.

II-I-11 Revenue Bonds and Notes

As noted in Note 3, the City did not maintain sufficient rates to service the revenue bonds and notes as required by the resolutions.

Recommendation

The City should periodically determine if rates are sufficient to provide net operating revenues which exceed 110% of the debt service required on the revenue bonds and notes.

Response

The net water and sewer receipts during the year were not sufficient due to a decrease in the usage volume. Water rates were increased in January, 2012.

Conclusion

Response accepted.

II-J-11 Invoice Authorization

The department supervisors did not approve all invoices submitted by vendors.

Recommendation

All invoices should be approved by department supervisors.

Response

All invoices will be approved.

Conclusion

Response accepted.